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# DEVELOPMENT CREDIT AUTHORITY

SEPTEMBER 2012 – SEPTEMBER 2020

\$2 MILLION

## OVERVIEW

Through its Development Credit Authority (DCA) initiative, USAID provides partial credit guarantees to mobilize local financing in developing countries. Guarantee agreements encourage private lenders to extend financing to small-scale borrowers with less access to credit facilities. USAID/Afghanistan has two DCA activities: a \$13.75 million Portable Guarantee for three microfinance institutions (MFIs): FINCA Afghanistan, OXUS Afghanistan, and First Microfinance Bank Afghanistan, and a \$10.3 million Loan Portfolio Guarantee with Afghanistan International Bank (AIB).

The Portable Guarantee was signed in September 2014 and ends in September 2020. This guarantee helps the three MFIs to secure loans from larger lenders. The proceeds from the loans are used for onward lending by the MFIs to micro and small businesses in Afghanistan.

The Loan Portfolio Guarantee was signed in September 2012 and ends in September 2020. It helps mitigate risk for AIB and facilitates the bank to expand its lending to small and medium-sized enterprises (SMEs). The guarantee also helps AIB to offer longer-term loans to productive businesses in Afghanistan that require credit for capital expenditures.

## ACCOMPLISHMENTS

- Mobilized more than \$24 million in private capital through the two DCAs, which includes \$13.75 million in local currency credit to MFIs operating in Afghanistan through the Portable Guarantee and \$10.3 million in loans to SMEs through the Loan Portfolio Guarantee.
- Facilitated commercial banks to sustain offers of non-guaranteed loans to MFIs after the Portable Guarantee ends.
- Successfully encouraged commercial banks to lend to more MFIs and also MFIs to seek additional commercial loans from banks.
- Expanded AIB's SME loan portfolio and facilitated AIB to sustain loan offers to sector after the Loan Portfolio Guarantee ends.
- Demonstrated the potential of SME lending to other local banks.
- Enhanced financial inclusion through increased lending to micro, small and medium enterprises (MSMEs).
- Engaged with potential lenders to access wholesale financing under the Portable Guarantee.
- Extended AIB loans to seven small and medium sized businesses operating in the agriculture, construction, trade and manufacturing sectors. The AIB loan amounts range from \$150,000 to \$1 million and are primarily used for working capital purposes, including investing in new machineries.

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